

FTB NOTICE

California Franchise Tax Board - Legal Division



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FTB NOTICE 94-2

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Subject: DEDUCTIBILITY OF POINTS BY PURCHASERS OF HOMES

FEDERAL CONFORMITY

On April 11, 1994, the Internal Revenue Service released Rev. Proc. 94-27 (1994-15, I.R.B. 17). This revenue procedure describes the requirements for the deduction of points by certain home buyers. California will follow the new Internal Revenue Service policy and procedure announced in Rev. Proc. 94-27, including its effective date (taxable years beginning after December 31, 1990).

Taxpayers meeting the requirements of Rev. Proc. 94-27 and electing to change their method of accounting for California for points paid during taxable years beginning after December 31, 1990 and before January 1, 1994, must file an amended California income tax return on form 540X for each appropriate taxable year. Taxpayers should write at the top of the amended return "Seller-Paid Points" in red, and attach a copy of the applicable settlement statement (Form HUD-1 or other settlement statement) showing the amount of points paid by the seller in connection with the transaction.

DRAFTING INFORMATION

The principal author of this notice is Geoffrey S. Way of the Franchise Tax Board Legal Division. For further information regarding this notice, contact Mr. Way at the Franchise Tax Board Legal Division, P.O. Box 1468, Sacramento, CA 95812-1468.